

IN THE CHANCERY COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE

In Re: Sentinel Trust Company

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) Case No. 4781
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FILED 2:16
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AUG 23 2004
JANET WILLIAMS, CLERK & MASTER
BY: Selena Wuy D.C.

**ORDER GRANTING MOTION TO ENTER INTO REIMBURSEMENT AGREEMENT
AND TO MODIFY SALE TERMS**

This matter came before the Court on the motion of Receivership Management, Inc. ("RMI"), as Receiver of Sentinel Trust Company ("Sentinel"), for authority to enter into a reimbursement agreement with Renaissance Hospitals, Inc. ("Renaissance"), and to modify terms of that certain Asset Purchase Agreement between Sentinel and Renaissance (the "Motion"). Based on the representations contained in the Motion; proper notice of the Motion having been given; and oral presentation having been made on August 23, 2004, the Court makes the following findings of fact:

1. On May 18, 2004, Honorable Kevin Lavender, Commissioner of the Tennessee Department of Financial Institutions, took possession of Sentinel and appointed RMI as receiver for Sentinel's estate, all pursuant to T.C.A. § 45-2-1502. Notice of that action was filed with this Court on that date. On June 18, 2004, Commissioner-in-Possession Lavender gave notice of placing Sentinel into liquidation.

2. At the time the Commissioner took possession of Sentinel, Sentinel was the indenture trustee for those certain revenue bonds, Series 1991, in the original face amount of \$20,215,000, and those certain subordinate revenue bonds, Series 1991, in the original face amount of \$9,530,000, issued by Tarrant County Health Facilities Development Corporation, a

Texas nonprofit public corporation (the “Issuer”), on or about April 1, 1991 (the “Bond Issue” or “Bonds”).

3. The Bonds are secured by that certain osteopathic hospital facility, including land, buildings, and related equipment, located at 5500 39th Street, Groves, Jefferson County, Texas and known as “Doctors Hospital” (the “Project”). The Project is owned by Community Healthcare Foundation, Inc., d/b/a Doctors Hospital (the “Borrower”).

4. The Borrower defaulted on the Bonds, and on November 14, 2003, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Texas, Beaumont Division (the “Bankruptcy Court”), Case No. 03-11710 (the “Bankruptcy Case”).

5. As of the filing of the Bankruptcy Case, the aggregate principal amount owed on the Bonds was no less than \$29,740,000 (principal amount of Senior Bonds: \$20,215,000; and principal amount of Subordinated Bonds: \$9,530,000). No payment has been made since the filing of the Bankruptcy Case.

6. Following the filing of the Bankruptcy Case, all parties agreed that absent an immediate sale of the Project to an entity ready, willing, and able to infuse the working capital necessary to stabilize the Borrower’s operations, the Borrower would be unable to meet the Project’s payroll and other operating expenses beyond February 2004, and would be forced to shut the Project’s doors as early as March 2004; and if that occurred, the value of the Project would decline dramatically, and the Borrower, its creditors, patients, employees, and doctors would be prejudiced.

7. The Borrower identified a purchaser, Renaissance, and negotiated a sale (the “Sale”) of the Borrower’s Assets for their going-concern value. The Borrower and Renaissance

executed an Asset Purchase Agreement (the "Purchase Agreement") to sell the Project and other assets to the Renaissance on terms and conditions contained in the Purchase Agreement and a certain sale procedures order, entered by the Bankruptcy Court (the "Sales Procedure Order") for the "Purchase Price" (as defined below), subject to higher and better offers and approval of the Bankruptcy Court pursuant to 11 U.S.C. § 363(b) and (f) and Federal Rules of Bankruptcy Procedure 6004 and 9014. Sentinel consented to the Sale.

8. On January 28, 2004, the Borrower conducted the Sale in Beaumont, Texas in accordance with the Sale Procedures Order. The Purchase Agreement constituted the initial "Qualified Bid" (as defined in the Sale Procedures Order) for the assets and no party, other than Renaissance, submitted a bid or otherwise attempted to qualify as a "Qualified Bidder" (as defined in the Sale Procedures Order). Upon conclusion of the Sale, the Borrower determined that the Purchase Agreement was the Successful Bid, as it provided the highest and best net economic benefit to the estate and was in the best interest of the Borrower, its creditors, and the estate. The Bankruptcy Court approved the Sale on January 29, 2004, and entered an order accordingly that same day (the "Sale Order"). An amendment to the Sale Order was entered on April 26, 2004, reallocating part of the Purchase Price to a Medical Office Building (the "MOB"), which is separate from the Project and is not part of the collateral securing the Bonds.

9. The Purchase Price under the Purchase Agreement and Sale Order, as amended, is as follows:

- (a) \$ 3,020,000 in cash for the Hospital (the "Cash Purchase Price");
- (b) \$ 180,000 in cash for the MOB (the "MOB Purchase Price");
- (c) \$ 200,000 in cash to the Borrower's bankruptcy estate for payment of the administrative expenses in the Bankruptcy Case (the "Administrative Expense Payment"); and

(d) the assumption of certain specified liabilities.

10. Under the Purchase Agreement, Renaissance's obligation to close on the Sale is conditioned on the satisfaction of certain conditions, including the condition that Renaissance shall receive evidence reasonably satisfactory to Renaissance that all appropriate governmental authorities have issued to Renaissance new provider numbers for Medicare and Medicaid for use by the Project, and that the Texas Department of Health has granted Renaissance a license to operate the Project.

11. Following entry of the Sale Order, as amended, Renaissance attempted to obtain new provider numbers for Medicare and Medicaid reimbursements for the Project. However, the Center for Medicare and Medicaid Services ("CMS"), a division of the United States Department of Health and Human Services that administers the Medicare and Medicaid programs, refused to issue such new numbers. Instead, CMS required Renaissance to assume the Borrower's existing provider numbers, as well as the overpayment liability attached to those numbers in the approximate amount of \$2,824,748.

12. Renaissance's assumption of the Borrower's provider numbers and attendant liability was not contemplated by the parties under the Purchase Agreement. In fact, it was expressly agreed that Renaissance would not assume those liabilities. Renaissance's inability to obtain new provider numbers without having to assume the Borrower's liability is a basis for Renaissance to terminate the Purchase Agreement. Nevertheless, Renaissance entered into negotiations with CMS in an effort to reduce the liability. As a result of those negotiations, CMS has agreed to reduce the overpayment liability to \$500,000, if Renaissance will agree to assume the Borrower's existing provider agreements and pay the \$500,000.

13. Renaissance has advised RMI that it cannot and will not assume the Borrower's provider numbers and, therefore, will not close on the Sale, unless RMI agrees that \$500,000 of the Cash Purchase Price otherwise payable at closing to RMI, as receiver for Sentinel, can be used to pay CMS. Under the terms of the Purchase Agreement, Renaissance is not obligated to close on the Sale. Accordingly, Renaissance could decide to terminate the Purchase Agreement without being in breach.

Based on foregoing and the Motion, the Court finds that Renaissance is the only party who has shown an interest in purchasing the Project who has a realistic ability to close.

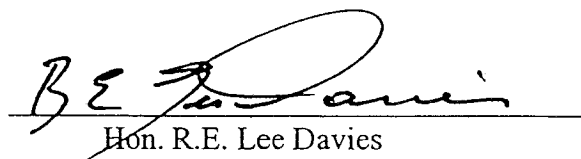
In addition, the Court finds that if Renaissance decides not to close the Sale of the Project, the Borrower will not be able to keep operating the Project and will close its doors. If that occurs, the Court finds that the Project will not have as much value as it does under the Purchase Agreement. Therefore, the Court finds that it is in the best interests of the creditors of Sentinel and other parties in interest herein, for RMI to enter into an agreement with Renaissance to reallocate \$500,000 of the Cash Purchase Price from RMI to payment of CMS, if Renaissance will close on the Sale for the Purchase Price.

IT IS THEREFORE ORDERED AND ADJUDGED AS FOLLOWS:

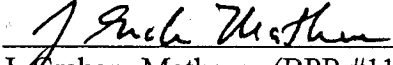
RMI is authorized to enter into that certain Reimbursement Agreement, attached hereto as Exhibit A and to close the Sale per the orders of the Bankruptcy Court.

IT IS SO ORDERED.

This the 23 day of August, 2004.


Hon. R.E. Lee Davies

Submitted and Approved for Entry By:


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